



Management's Discussion and Analysis
and Financial Statements
June 30, 2020 and 2019

Fairview Municipal Hospital Authority

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Independent Auditor's Report

Board of Trustees
Fairview Municipal Hospital Authority
Fairview, Oklahoma

Report on Financial Statements

We have audited the accompanying statements of net position of Fairview Municipal Hospital Authority (Authority), as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fairview Municipal Hospital Authority, as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma
December 28, 2020

Our discussion and analysis for Fairview Municipal Hospital Authority's (Authority) financial performance provides an overview of the Authority's financial activities for the fiscal years ended June 30, 2020, 2019 and 2018. Please read it in conjunction with the Authority's financial statements, which begin on page 8.

Financial Highlights

- The Authority's net position decreased \$841,150 or 47 percent in 2020, and increased \$153,144 or 9 percent in 2019.
- The Authority reported operating losses of \$1,170,485 in 2020 and \$304,223 in 2019. The loss in 2020 increased by \$866,262 or 285 percent over the loss reported in 2019. Operating losses in 2019 decreased by \$13,823 or 5 percent over the loss reported in 2018.
- Nonoperating income decreased by \$121,298 or 29 percent in 2020 compared to 2019. Nonoperating income increased in 2019 by \$16,798 or 4 percent compared to 2018.
- The Authority received capital contributions of \$25,121 in 2020 and \$31,855 in 2019, \$64,735 in 2018.

Using This Annual Report

The Authority's financial statements consist of three statements - Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Authority.

Statement of Cash Flows

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Authority's Net Position

The Authority's net position is the difference between its assets and liabilities reported in the statement of net position on page 8. The Authority's net position decreased in 2020 by \$841,150 and increased by \$153,144 in 2019 with a 47 percent decrease in 2020 and a 9 percent increase in 2019.

	2020	2019	2018
Assets			
Cash and cash equivalents	\$ 4,805,892	\$ 698,211	\$ 491,457
Patient accounts receivable, net	697,602	564,330	555,110
Other current assets	324,880	235,928	457,748
Capital assets, net	2,591,756	2,874,911	3,221,042
Total assets	\$ 8,420,130	\$ 4,373,380	\$ 4,725,357
Liabilities			
Accounts payable	\$ 121,656	\$ 569,171	\$ 791,877
Short-term note payable	11,085	14,287	25,720
Current maturities of long-term debt	702,693	342,910	316,654
Other current liabilities	3,628,894	373,357	356,104
CMS advance payments	1,633,341	-	-
Long-term debt, net	1,357,081	1,267,125	1,581,616
Total liabilities	7,454,750	2,566,850	3,071,971
Net Position			
Net investment in capital assets	1,305,682	1,264,876	1,322,772
Restricted, expendable for capital acquisitions	452,021	519,507	417,370
Unrestricted net position	(792,323)	22,147	(86,756)
Total net position	965,380	1,806,530	1,653,386
Total liabilities and net position	\$ 8,420,130	\$ 4,373,380	\$ 4,725,357

Assets, Liabilities, and Net Position

A significant component of the change in the Authority's assets, liabilities, and net position is the increase in amounts due to funds received through Provider Relief Fund and Medicare advance payments. Cash increased \$4,107,681 over 2020 compared with an increase of \$206,754 in 2019. Accounts payable decreased \$394,424 in 2020 compared with a decrease in accounts payable of \$222,706 for June 30, 2019 compared with 2018. Other current liabilities increased \$3,255,537 in 2020 over 2019 due to the refundable advance related to the Provider Relief Fund and increased \$17,253 in 2019 over 2018. Long-term debt increased \$539,695 over 2019 due primarily to the Paycheck Protection Program loan. Long-term debt decreased \$288,235 in 2019 over 2018.

Operating Results and Changes in Net Position

	2020	2019	2018
Operating Revenue			
Net patient service revenue	\$ 5,934,593	\$ 6,378,568	\$6,012,044
Other revenue	151,061	162,302	93,087
Total operating revenue	<u>6,085,654</u>	<u>6,540,870</u>	<u>6,105,131</u>
Operating Expenses			
Daily patient services	857,013	868,663	802,574
Nursing services	512,114	670,940	659,541
Other professional services	2,904,254	2,482,375	2,170,633
Other operating expenses	2,545,522	2,377,117	2,325,020
Depreciation and amortization	437,236	445,998	437,763
Total operating expenses	<u>7,256,139</u>	<u>6,845,093</u>	<u>6,395,531</u>
Operating Loss	<u>(1,170,485)</u>	<u>(304,223)</u>	<u>(290,400)</u>
Nonoperating Revenues (Expenses)			
Sales tax	369,666	492,337	496,696
Investment income	2,876	1,266	2,104
Grant revenue	5,884	-	-
Interest expense	(74,212)	(68,091)	(90,086)
Total nonoperating revenues	<u>304,214</u>	<u>425,512</u>	<u>408,714</u>
Capital Contributions	<u>25,121</u>	<u>31,855</u>	<u>64,735</u>
Change in Net Position	<u>\$ (841,150)</u>	<u>\$ 153,144</u>	<u>\$ 183,049</u>

Operating Results

The first component of the overall change in the Authority's net position is its operating results. Generally, the operating loss is the difference between net patient service revenues and the expenses incurred to perform those services. The operating loss for 2020 was \$1,170,485. The operating loss in 2020 increased by \$866,262 compared to the 2019 operating loss of \$304,223. The primary components of the change in the operating loss are as follows:

- Net patient service revenue for 2020 decreased \$443,975 over 2019 due to decreasing volumes. Net patient service revenue from 2019 increased \$366,524 over 2018.
- Operating expenses for 2020 increased \$411,046 from 2019 primarily attributable to an increase in professional services for new clinic physician salaries and other operating expenses incurred as a result of COVID-19. Operating expenses in 2019 decreased \$320,038 from 2018.

The Authority sometimes provides care for patients who have little or no health insurance or other means of repayment. As discussed, this service to the community is consistent with the goals established for the Authority when it was established. There was approximately \$182,000 of charity care provided in 2020 and \$50,000 in 2019 based on charges foregone. Because there is no expectation of repayment, charity care is not reported as patient service revenues of the Authority.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of sales tax revenues, interest expense, donations and investment income. Nonoperating revenues decreased by \$121,298 in 2020 compared to an increase of \$14,797 in 2019. The major change in nonoperating revenue was a decrease in sales tax revenue of \$122,671 in 2020 compared to 2019.

The Authority's Cash Flows

The Authority's overall liquidity increased in 2020 with a net increase to cash and cash equivalents, of \$4,107,681 when compared with 2019 and an increase of \$206,754 in 2019 compared with 2018. Cash used for operating activities was \$1,273,582 during 2020 compared to cash flows from operating activities of \$137,489 during 2019. This was due primarily to the decrease in net patient service revenue and increased salary and operating expenses resulting from COVID-19. Cash used for capital and capital related financing activities was \$142,555 or a decrease of \$210,554 when compared with 2019. Cash from capital and capital related financing activities for 2019 was \$67,999 or a decrease of \$32,072 when compared with 2018. Cash from noncapital financing activities was \$5,520,942 during 2020 due to amounts received under the CARES Act. There were no cash flows from noncapital related financing activities during 2019. Cash from investing activities was \$2,876 in 2020 compared to \$1,266 in 2019.

Capital Assets

At the end of 2020 and 2019, the Authority had \$2,591,756 and \$2,874,911 invested in net capital assets, as detailed in Note 5 to the financial statements. In 2020, the Authority purchased \$154,081 of capital assets compared with purchases of \$99,867 in 2019.

Debt

At the end of 2020 and 2019, the Authority had \$2,059,774 and \$1,610,035 in outstanding debt. The Authority received a loan under the Paycheck Protection Program (PPP) in the amount of \$773,700 during 2020, which is subject to forgiveness if certain conditions are met. The Authority incurred additional indebtedness of \$21,503 in 2020 for capital leases compared to \$48,328 in 2019 and retired debt of \$345,464 in 2020 compared to \$336,563 in 2019. For additional information regarding long-term debt, please see Note 7 to the financial statements.

Economic Outlook

As previously noted, the Authority has incurred additional expenses to prepare for, prevent and treat COVID-19 and has also experienced a decrease in net patient service revenue due to the required suspension of elective procedures during the year ended June 30, 2020. The Authority received funding from programs under the CARES Act to assist with operations during the pandemic, however was not able to recognize revenue associated with these programs during the year as eligibility requirements were not fully met at June 30, 2020.

Management is currently in the process of attempting to meet the eligibility requirements. The impact of the ongoing COVID-19 pandemic has been manageable to date. The Authority has continued to provide essential services throughout the course of the pandemic. However, due to the nature of the disease and uncertainty of availability of therapeutics and a vaccine, the future impact of continued disruption cannot be accurately projected.

Contacting the Authority's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Fairview Regional Medical Center Authority, Administrator's Office, 523 State Road, Fairview, Oklahoma 73737.

Fairview Municipal Hospital Authority

Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,311,025	\$ 258,787
Cash, restricted	3,494,867	439,424
Receivables		
Patient, net of estimated uncollectibles of approximately \$261,000 in 2020 and \$231,000 in 2019	697,602	564,330
Estimated third party payor settlements	46,463	-
Sales tax	65,171	80,083
Other	36,070	13,077
Supplies	138,612	109,149
Prepays	38,564	33,619
Total current assets	<u>5,828,374</u>	<u>1,498,469</u>
Capital Assets		
Capital assets not being depreciated	22,240	15,213
Capital assets being depreciated	2,569,516	2,859,698
Total capital assets	<u>2,591,756</u>	<u>2,874,911</u>
Total assets	<u><u>\$ 8,420,130</u></u>	<u><u>\$ 4,373,380</u></u>

Fairview Municipal Hospital Authority

Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and Net Position		
Current Liabilities		
Notes payable	\$ 11,085	\$ 14,287
Current maturities of long-term debt	702,693	342,910
Current maturities of CMS advance payments	139,741	-
Accounts payable		
Trade	121,656	516,080
Estimated third party payor settlements	-	53,091
Accrued expenses		
Salaries and payroll taxes	187,734	114,331
Vacation	329,344	255,227
Other	3,799	3,799
Refundable advance - Provider Relief Fund	<u>3,108,017</u>	<u>-</u>
Total current liabilities	4,604,069	1,299,725
CMS Advance Payments, Less Current Maturities	1,493,600	-
Long Term Debt, Less Current Maturities	<u>1,357,081</u>	<u>1,267,125</u>
Total liabilities	<u>7,454,750</u>	<u>2,566,850</u>
Net Position		
Net investment in capital assets	1,305,682	1,264,876
Restricted, expendable for capital acquisitions	452,021	519,507
Unrestricted	<u>(792,323)</u>	<u>22,147</u>
Total net position	<u>965,380</u>	<u>1,806,530</u>
Total liabilities and net position	<u><u>\$ 8,420,130</u></u>	<u><u>\$ 4,373,380</u></u>

Fairview Municipal Hospital Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenue		
Patient service revenue, net of provision for bad debts of \$611,765 in 2020 and \$567,525 in 2019	\$ 5,934,593	\$ 6,378,568
Other revenue	<u>151,061</u>	<u>162,302</u>
Total operating revenue	<u>6,085,654</u>	<u>6,540,870</u>
Operating Expenses		
Daily patient services	857,013	868,663
Nursing services	512,114	670,940
Other professional services	2,904,254	2,482,375
General services	495,379	506,301
Administrative services	2,050,143	1,870,816
Depreciation and amortization	<u>437,236</u>	<u>445,998</u>
Total operating expenses	<u>7,256,139</u>	<u>6,845,093</u>
Operating Loss	<u>(1,170,485)</u>	<u>(304,223)</u>
Nonoperating Revenues (Expenses)		
Sales tax	369,666	492,337
Investment income	2,876	1,266
Grant revenue	5,884	-
Interest expense	<u>(74,212)</u>	<u>(68,091)</u>
Total nonoperating revenues, net	<u>304,214</u>	<u>425,512</u>
Revenues in Excess of (Less than) Expenses Before Capital Contributions	(866,271)	121,289
Capital Contributions	<u>25,121</u>	<u>31,855</u>
Change in Net Position	(841,150)	153,144
Net Position, Beginning of the Year	<u>1,806,530</u>	<u>1,653,386</u>
Net Position, End of Year	<u><u>\$ 965,380</u></u>	<u><u>\$ 1,806,530</u></u>

Fairview Municipal Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Receipts from or on behalf of patients	\$ 5,701,767	\$ 6,610,082
Other receipts and disbursements, net	128,068	189,047
Payments to suppliers and contractors	(2,446,595)	(3,218,552)
Payments to and on behalf of employees	<u>(4,656,822)</u>	<u>(3,443,088)</u>
Net Cash from (used for) Operating Activities	<u>(1,273,582)</u>	<u>137,489</u>
Noncapital Related Financing Activities		
Net proceeds from PPP loan	773,700	-
Net proceeds from CMS advance payments	1,633,341	-
Receipts from Provider Relief Fund	3,108,017	-
Non capital contributions and donations	<u>5,884</u>	<u>-</u>
Net Cash from Noncapital Related Financing Activities	<u>5,520,942</u>	<u>-</u>
Capital and Capital Related Financing Activities		
Purchase of capital assets	(132,578)	(51,539)
Sales tax restricted to capital acquisitions	384,578	492,337
Principal payments on debt obligations	(345,464)	(336,563)
Interest paid on debt obligations	(74,212)	(68,091)
Capital contributions	<u>25,121</u>	<u>31,855</u>
Net Cash from (used for) Capital and Capital Related Financing Activities	<u>(142,555)</u>	<u>67,999</u>
Investing Activities		
Investment income	<u>2,876</u>	<u>1,266</u>
Net Change in Cash and Cash Equivalents	4,107,681	206,754
Cash and Cash Equivalents, Beginning of Year	<u>698,211</u>	<u>491,457</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,805,892</u>	<u>\$ 698,211</u>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Cash and cash equivalents	\$ 1,311,025	\$ 258,787
Cash, restricted	<u>3,494,867</u>	<u>439,424</u>
Total Cash and Cash Equivalents	<u>\$ 4,805,892</u>	<u>\$ 698,211</u>

Fairview Municipal Hospital Authority

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to Net		
Cash from (used for) Operating Activities		
Operating loss	\$ (1,170,485)	\$ (304,223)
Adjustments to reconcile operating loss to net cash		
from (used for) operating activities		
Depreciation and amortization	437,236	445,998
Provision for bad debts	611,765	567,525
Changes in assets and liabilities		
Patient and other receivables	(768,030)	(550,000)
Supplies	(29,463)	4,535
Prepaid expenses	(4,945)	2,897
Estimated third party payor settlements	(99,554)	240,734
Change in note payable financed insurance	(3,202)	(11,433)
Accounts payable and other accrued expenses	(394,424)	(275,797)
Accrued salaries and payroll taxes	73,403	20,802
Accrued vacation	<u>74,117</u>	<u>(3,549)</u>
Net Cash from (used for) Operating Activities	<u>\$ (1,273,582)</u>	<u>\$ 137,489</u>
Supplemental Disclosure of Noncash Capital and		
Capital Related Financing Activities		
Equipment purchased through capital lease arrangement	<u><u>\$ 21,503</u></u>	<u><u>\$ 48,328</u></u>

Note 1 - Principal Activity and Significant Accounting Policies

The financial statements of Fairview Municipal Hospital Authority (Authority) have been prepared in accordance with generally accepted accounting principles in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Authority are described below.

Reporting Entity

The hospital is owned by the City of Fairview and is leased for a term of fifty years to the Fairview Municipal Hospital Authority under a lease agreement dated August 31, 1981. The Fairview Municipal Hospital Authority was established on September 2, 1980, pursuant to Title 60, Oklahoma Statutes 1971. The City of Fairview is the beneficiary. Management and control of the hospital was directed by a board of control that was appointed by the Fairview Municipal Hospital Authority. The operation of the hospital was governed by a Hospital Operating Agreement dated December 1, 1989. The hospital is located in Fairview, Oklahoma and is a critical access facility with 25 beds that also provides rural health clinic services.

On May 1, 2014, the Fairview Regional Medical Center Authority, a public trust, was established pursuant to Title 60 Oklahoma Statutes 2001, sections 176 to 180.4 inclusive, as amended and supplemented. The City of Fairview is the beneficiary. The initial trustees were trustees of the board of control discussed above.

On May 20, 2014, a sub-lease agreement was entered into between Fairview Municipal Hospital Authority, a public trust (landlord), and the Fairview Regional Medical Center Authority (tenant) for the hospital facilities on a month to month basis.

Blended Component Unit

Fairview Regional Medical Center Authority is a Title 60 Trust exempt under section 115 of the Internal Revenue Code. The Fairview Regional Medical Center Authority is included as a blended component unit of the Authority. The financial statements include the financial activity of the Fairview Municipal Hospital Authority and the Fairview Regional Medical Center Authority, collectively referred to as the Authority. Financial statements of the Fairview Regional Medical Center Authority can be obtained by contacting the Authority's Administrator.

Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned, and expenses are recorded when the liability is incurred.

Basis of Presentation

The statement of net position displays the Authority's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Net position is reported in the following categories/components:

Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or the related debt obligations and increased by balances of deferred outflows of resources related to those assets or debt obligations.

Restricted net position:

Expendable – Expended net position results when constraints placed on net position use are either externally imposed or imposed through enabling legislation.

Nonexpendable – Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Authority.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Authority's policy is to first apply the expense toward the most restrictive resources and then toward unrestricted resources.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding internally designated or restricted cash and investments. For purposes of the statement of cash flows, the Authority considers all cash and investments with an original maturity of three months or less as cash and cash equivalents.

Restricted Cash

Cash that has restrictions which change the nature or normal understanding of availability of the asset is reported separately on the statements of net position. Restricted cash includes proceeds from sales tax which are restricted for renovating, expanding, equipping, and maintaining the hospital facilities, debt payments incurred for those purposes and from the Provider Relief Fund (Note 3). Assets that are available for obligations classified as current liabilities are reported in current assets.

Patient Receivables

Patient receivables are uncollateralized customer and third-party payor obligations. Unpaid patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency if the receivables remain unpaid after the Authority's collections procedures. The Authority does not charge interest on the unpaid patient receivables. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets acquisitions in excess of \$5,000 are capitalized and recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Amortization is included in depreciation and amortization in the financial statements. The estimated useful lives of capital assets are as follows:

Land improvements	3 - 15 years
Buildings and improvements	5-40 years
Equipment	5-20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to unrestricted net position, and are excluded from revenues in excess of expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted net position.

Compensated Absences

The Authority's employees earn paid time-off days at varying rates depending on years of service. Employees may accumulate paid time-off up to a specified maximum. Employees are paid for accumulated paid time-off upon termination. The liability for compensated absences is reported as accrued vacation in the accompanying financial statements.

Operating Revenues and Expenses

The Authority's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses of the Authority result from exchange transactions associated with providing health care services - the Authority's principal activity, and the costs of providing those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. Since the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of charges foregone for services provided under the Authority's charity care policy were approximately \$189,000 and \$50,000 for the years ended June 30, 2020 and 2019. Total direct and indirect costs related to these foregone charges were approximately \$118,000 and \$28,000 based on an average ratio of cost to gross charges.

Grants and Contributions

From time to time, the Authority receives contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose is reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Sales Tax Revenue

The Authority received approximately 6% and 7% of its financial support during 2020 and 2019 from sales taxes levied. These funds were used entirely to support building renovations, major repairs and improvements. The tax was effective April 2002 and shall terminate after September 2022.

Reclassifications

Reclassifications have been made to the June 30, 2019 financial information to make it conform to the current year presentation. The reclassifications had no effect on previously reported operating results or changes in net position.

Note 2 - Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: The Authority is licensed as a Critical Access Hospital (CAH). The Authority is reimbursed for most acute care services under a cost reimbursement method with final settlement determined after submission of annual cost reports by the Authority and are subject to audits thereof by the Medicare Administrative Contractor (MAC). The Authority's Medicare cost reports have been audited by the MAC through the year ended June 30, 2017. Clinical services are paid on a cost basis or fixed fee schedule.

Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates with no retrospective adjustment.

Other: The Authority has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Concentration of gross revenues by major payor accounted for the following percentages of the Authority's patient service revenues for the years ended June 30, 2020 and 2019:

	2020	2019
Medicare	48%	50%
Medicaid	9%	9%
Commercial	36%	35%
Self-pay	7%	6%
	<u>100%</u>	<u>100%</u>

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net patient service revenue for the years ended June 30, 2020 and 2019 increased approximately \$53,000 and \$71,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

CMS Advance Payments

The CMS advance payments balance consists of payments received from the Centers for Medicare & Medicaid Services (CMS), in order to increase cash flow for Medicare Part A providers who were impacted by the COVID-19 pandemic. The Authority received \$1,633,341 in advance payments during April 2020, which will be recouped through the Medicare claims processed beginning 365 days after payments are received and will continue until the balance of the advanced payments have been recouped, or for 29 months from the date that each advance payment was issued, at which point any remaining unpaid balance is due. The advanced payments balance is non-interest bearing through the 29-month repayment period.

Scheduled repayments for the advance payment are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 139,741
2022	871,115
2023	622,485
Total	<u>\$ 1,633,341</u>

Note 3 - Provider Relief Fund

The Authority received \$3,108,017 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS.

Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses of June 30, 2021. Unspent funds will be expected to be repaid.

These funds are considered subsidies and recorded as a liability when received and are recognized as revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. As these funds are considered subsidies, they are considered nonoperating activities.

The terms and conditions are subject to interpretation, changes and future clarification, the most recent of which have been considered through the date that the financial statements were available to be issued. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of June 30, 2020, the Authority had a liability of \$3,108,017, which was included in current liabilities on the accompanying statement of financial position under refundable advance – Provider Relief Fund, as well as restricted cash totaling \$3,108,107, which is subject to the restrictions imposed by HHS. During the year ended June 30, 2020, no revenue was recognized by the Authority under the Provider Relief Fund.

Note 4 - Deposits

The carrying amounts of the Authority's deposits and investments are included in the Statement of Net Position at June 30, 2020 and 2019 as follows:

	2020	2019
Carrying Amount		
Cash Deposits in Banks	\$ 4,805,892	\$ 698,211

Deposits and investments are reported in the following statement of net position captions:

	2020	2019
Cash and cash equivalents	\$ 1,311,025	\$ 258,787
Cash, restricted	3,494,867	439,424
	<u>\$ 4,805,892</u>	<u>\$ 698,211</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. State statutes authorize the Authority to invest its excess cash balances generally in time deposits, open accounts, certificates of deposit or certain repurchase agreements of commercial banks or trust companies, state or generally chartered savings and loan associations or generally chartered savings banks having offices in the state and in certain circumstances, specified United States Treasury obligations.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Oklahoma; bonds of any city, county, school district or special road district of the state of Oklahoma; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits. The Authority has a general investment policy to minimize custodial credit risk.

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

The Authority's deposits in banks at June 30, 2020 and 2019 were entirely covered by federal depository insurance or by collateral held by the Authority's custodial bank in the Authority's name.

Note 5 - Capital Assets

Capital assets additions, retirements or transfers, and balances for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Transfers and Retirements	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 4,044	\$ -	\$ -	\$ 4,044
Construction in progress	11,169	7,027	-	18,196
	<u>15,213</u>	<u>7,027</u>	<u>-</u>	<u>22,240</u>
Total capital assets not being depreciated	\$ 15,213	\$ 7,027	\$ -	\$ 22,240
Capital assets being depreciated				
Building and improvements	\$ 7,566,646	\$ -	\$ -	\$ 7,566,646
Equipment	3,650,456	147,054	-	3,797,510
	<u>11,217,102</u>	<u>147,054</u>	<u>-</u>	<u>11,364,156</u>
Total capital assets being depreciated	11,217,102	\$ 147,054	\$ -	11,364,156
Less accumulated depreciation for:				
Building and improvements	5,443,420	\$ 237,808	\$ -	5,681,228
Equipment	2,913,984	199,428	-	3,113,412
	<u>8,357,404</u>	<u>437,236</u>	<u>-</u>	<u>8,794,640</u>
Total accumulated depreciation	8,357,404	\$ 437,236	\$ -	8,794,640
Net capital assets being depreciated	\$ 2,859,698			\$ 2,569,516
Capital assets, net	<u>\$ 2,874,911</u>			<u>\$ 2,591,756</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

Capital assets additions, disposal or transfers, and balances for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions and Transfers	Transfers and Retirements	Balance June 30, 2019
Capital assets not being depreciated				
Land	\$ 4,044	\$ -	\$ -	\$ 4,044
Construction in progress	181,894	-	(170,725)	11,169
Total capital assets not being depreciated	<u>\$ 185,938</u>	<u>\$ -</u>	<u>\$ (170,725)</u>	<u>\$ 15,213</u>
Capital assets being depreciated				
Building and improvements	\$ 7,566,646	\$ -	\$ -	\$ 7,566,646
Equipment	3,379,864	99,867	170,725	3,650,456
Total capital assets being depreciated	<u>10,946,510</u>	<u>\$ 99,867</u>	<u>\$ 170,725</u>	<u>11,217,102</u>
Less accumulated depreciation for:				
Building and improvements	5,200,487	\$ 242,933	\$ -	5,443,420
Equipment	2,710,919	203,065	-	2,913,984
Total accumulated depreciation	<u>7,911,406</u>	<u>\$ 445,998</u>	<u>\$ -</u>	<u>8,357,404</u>
Net capital assets being depreciated	<u>\$ 3,035,104</u>			<u>\$ 2,859,698</u>
Capital assets, net	<u>\$ 3,221,042</u>			<u>\$ 2,874,911</u>

Note 6 - Lease Obligations

The Authority leases certain equipment under noncancelable long-term lease agreements. Certain leases have been recorded as capitalized leases and others as operating leases. The rental expense for all operating leases was \$21,622 and \$9,113 for the years ended June 30, 2020 and 2019. The capitalized lease assets consist of:

	2020	2019
Major movable equipment	\$ 236,379	\$ 214,876
Less accumulated amortization (included as depreciation on the accompanying financial statements)	<u>(84,027)</u>	<u>(40,693)</u>
	<u>\$ 152,352</u>	<u>\$ 174,183</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

Minimum future lease payments for capital leases are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 61,312
2022	53,079
2023	8,281
2024	<u>1,063</u>
Total minimum lease payments	123,735
Less interest imputed at rates from 7.50% to 10.25%	<u>(4,624)</u>
Present value of minimum lease payments - Note 7	<u>\$ 119,111</u>

Minimum future lease payments for operating leases are not significant at June 30, 2020.

Note 7 - Notes Payable and Long-Term Debt

Notes payable at June 30, 2020 and 2019 consist of:

	<u>Balance 6/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/20</u>
Notes payable:				
Financed insurance (1)	<u>\$ 14,287</u>	<u>\$ 59,714</u>	<u>\$ 62,916</u>	<u>\$ 11,085</u>
	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/19</u>
Notes payable:				
Financed insurance (1)	<u>\$ 25,720</u>	<u>\$ 80,600</u>	<u>\$ 92,033</u>	<u>\$ 14,287</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

The Authority's long-term debt from direct borrowings at June 30, 2020 and 2019 consists of:

	Balance 6/30/19	Additions	Reductions	Balance 6/30/20	Due Within One Year
Long-term notes payable:					
Note payable to bank (2)	\$ 689,068	\$ -	\$ 184,759	\$ 504,309	\$ 194,209
Note payable to bank (3)	761,320	-	98,666	662,654	108,793
PPP Loan	-	773,700	-	773,700	340,338
Total long-term					
Notes payable	1,450,388	773,700	283,425	1,940,663	643,340
Capitalized lease					
obligations - Note 6	159,647	21,503	62,039	119,111	59,353
Total long-term debt	<u>\$ 1,610,035</u>	<u>\$ 795,203</u>	<u>\$ 345,464</u>	<u>\$ 2,059,774</u>	<u>\$ 702,693</u>
	Balance 6/30/18	Additions	Reductions	Balance 6/30/19	Due Within One Year
Long-term notes payable:					
Note payable to bank (2)	\$ 864,832	\$ -	\$ 175,764	\$ 689,068	\$ 184,756
Note payable to bank (3)	867,436	-	106,116	761,320	104,613
Total long-term					
Notes payable	1,732,268	-	281,880	1,450,388	289,369
Capitalized lease					
obligations - Note 6	166,002	48,328	54,683	159,647	53,541
Total long-term debt	<u>\$ 1,898,270</u>	<u>\$ 48,328</u>	<u>\$ 336,563</u>	<u>\$ 1,610,035</u>	<u>\$ 342,910</u>

The terms and due dates of the Authority's notes payable at June 30, 2020 and 2019 are as follows:

- (1) Financed insurance at various rates, due within one year, uncollateralized.
- (2) Note payable to bank, 5% interest rate, due in monthly installments of \$17,917 including interest, through December 2022, collateralized by a 1% city sales tax ordinance.
- (3) Note payable to bank, 3.85% fixed interest rate, due in monthly installments of \$11,032 including interest, through January 2026, collateralized by accounts receivable, equipment and real estate.

Lines of Credit

The Authority has a revolving line of credit with a limit of \$75,000 and includes interest at 6.5%. There was no outstanding principal on the line of credit at June 30, 2020 and 2019. The line of credit matures September 2020 and is collateralized by the 1% city sales tax ordinance.

PPP Loan

The Authority was granted a \$773,700 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Authority is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Authority has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. The Authority will be required to repay any remaining balance over 17 monthly payments, including interest at 1%, commencing upon notification of forgiveness or partial forgiveness.

Scheduled principal and interest repayments on long-term debt is as follows:

Years Ending June 30,	Long-Term Debt		Total
	Principal	Interest	
2021	\$ 702,693	\$ 54,416	\$ 757,109
2022	802,180	33,650	835,830
2023	230,796	17,378	248,174
2024	122,896	10,554	133,450
2025	126,904	5,482	132,386
2026-2030	74,305	911	75,216
Total	<u>\$ 2,059,774</u>	<u>\$ 122,391</u>	<u>\$ 2,182,165</u>

Note 8 - Retirement Plan**Defined Contribution Plan**

The Authority adopted a defined contribution 457 Savings Plan covering substantially all employees who have over 1,000 hours of service and are at least 21 years of age.

The Plan allows for eligible employees to contribute a percentage of pre-tax annual compensation as defined in the Plan. The Authority may make a discretionary matching percentage on the participant's eligible contributions for the Plan year. The Authority may also make an optional profit sharing contribution subject to certain limitations imposed by the Internal Revenue Service.

Participants are immediately vested in their voluntary contribution plus actual earnings thereon. Vesting in the remainder of their accounts is based on years of continuous service. A participant is 100% vested after three years of service. The discretionary contributions to the Plan were discontinued on July 1, 2014.

Note 9 - Supplemental Hospital Offset Payment Program Act

The Supplemental Hospital Offset Payment Program Act (SHOPP), designated as House Bill 1381 (HB 1381), was passed during 2011 implementing a fee on hospitals to generate matching funds to the state of Oklahoma from federal sources. The program is designed to assess Oklahoma hospitals, unless exempt, a supplemental hospital offset payment program fee. The collected fees will be placed in pools and then allocated to hospitals as directed by legislation. The Oklahoma Health Care Authority (OHCA) does not guarantee that allocations will equal or exceed the amount of the supplemental hospital offset payment program fee paid by the hospital.

Critical access hospitals are excluded from paying the supplemental hospital offset fee but are still eligible to receive SHOPP funds. The Authority records receipts as reduction in Medicaid contractual adjustments. Future changes in law or regulation at the federal or state level can adversely affect or eliminate SHOPP.

The Authority received SHOPP payments totaling approximately \$122,000 and \$195,000 for the years ended June 30, 2020 and 2019, respectively, which is included in net patient service revenue.

Note 10 - Related Parties

As of June 30, 2020 and 2019, the Authority has payables for utilities due to the City of Fairview in the amount of \$3,854 and \$323,019.

Note 11 - Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at June 30, 2020 and 2019 were as follows:

	2020	2019
Medicare and Medicaid	45%	40%
Other third-party payors	32%	34%
Patients	23%	26%
	<u>100%</u>	<u>100%</u>

Note 12 - Contingencies**Risk Management**

The Authority is exposed to various risks of loss from torts; theft of, damage, of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Malpractice Insurance

The Authority has insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an aggregate limit of \$3 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

Litigation, Claims and Disputes

The Authority is subject to the usual contingencies in the normal course of operations relating to the performance of task under its various programs. In the opinion of management, the ultimate settlement of litigation, claims and disputes in process will not be material to the financial position, operations, or cash flows of the Authority.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services.

COVID-19 Pandemic

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Authority is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Authority is not known.

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

Note 13 - Presentation of Blended Component Units

The following summarized combining information for Fairview Municipal Hospital Authority and Fairview Regional Medical Center Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2020:

Statement of Net Position	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Assets			
Current assets	\$ 452,021	\$ 5,376,353	\$ 5,828,374
Capital assets	<u>2,267,316</u>	<u>324,440</u>	<u>2,591,756</u>
Total Assets	<u>\$ 2,719,337</u>	<u>\$ 5,700,793</u>	<u>\$ 8,420,130</u>
Liabilities			
Current liabilities	\$ 306,789	\$ 4,297,280	\$ 4,604,069
Long-term liabilities	<u>863,961</u>	<u>1,986,720</u>	<u>2,850,681</u>
Total liabilities	<u>1,170,750</u>	<u>6,284,000</u>	<u>7,454,750</u>
Net Position			
Net investment in capital assets	1,100,353	205,329	1,305,682
Restricted, expendable for capital acquisitions	452,021	-	452,021
Unrestricted (deficit)	<u>(3,787)</u>	<u>(788,536)</u>	<u>(792,323)</u>
	<u>1,548,587</u>	<u>(583,207)</u>	<u>965,380</u>
Total liabilities and net position	<u>\$ 2,719,337</u>	<u>\$ 5,700,793</u>	<u>\$ 8,420,130</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

	Year ended June 30, 2020		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Operating Results and Changes in Net Position			
Operating Revenues			
Net patient service revenue	\$ -	\$ 5,934,593	\$ 5,934,593
Other operating revenue	-	151,061	151,061
Total operating revenue	-	6,085,654	6,085,654
Operating Expenses			
Depreciation	323,751	113,485	437,236
Other operating expenses	2,000	6,816,903	6,818,903
Total operating expense	325,751	6,930,388	7,256,139
Operating Loss	(325,751)	(844,734)	(1,170,485)
Nonoperating Revenue (Expense)			
Sales tax revenue	369,666	-	369,666
Interest expense	(67,193)	(7,019)	(74,212)
Grant revenue	-	5,884	5,884
Other revenue	1,094	1,782	2,876
Total non operating revenue	303,567	647	304,214
Capital Contributions	-	25,121	25,121
Change in Net Position	(22,184)	(818,966)	(841,150)
Net Position Beginning of Year	1,570,771	235,759	1,806,530
Net Position End of Year	\$ 1,548,587	\$ (583,207)	\$ 965,380

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

	Year ended June 30, 2020		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Statement of Cash Flows			
Net Cash used for Operating Activities	\$ (5,204)	\$ (1,268,378)	\$ (1,273,582)
Net Cash from Noncapital Financing Activities	3,202	5,517,740	5,520,942
Net Cash used for Capital and Related Financing Activities	(51,666)	(90,889)	(142,555)
Net Cash from Investing Activities	1,094	1,782	2,876
Change in Cash and Cash Equivalents	(52,574)	4,160,255	4,107,681
Cash and Cash Equivalents, Beginning of Year	439,424	258,787	698,211
Cash and Cash Equivalents, End of Year	<u>\$ 386,850</u>	<u>\$ 4,419,042</u>	<u>\$ 4,805,892</u>

The following summarized combining information for Fairview Municipal Hospital Authority and Fairview Regional Medical Center Authority which has been presented as a blended component unit, as of and for the year ended June 30, 2019:

	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Statement of Net Position			
Assets			
Current assets	\$ 519,507	\$ 978,962	\$ 1,498,469
Capital assets	2,505,441	369,470	2,874,911
Total Assets	<u>\$ 3,024,948</u>	<u>\$ 1,348,432</u>	<u>\$ 4,373,380</u>
Liabilities			
Current liabilities	\$ 293,158	\$ 1,006,567	\$ 1,299,725
Long-term liabilities	1,161,019	106,106	1,267,125
Total liabilities	<u>1,454,177</u>	<u>1,112,673</u>	<u>2,566,850</u>
Net Position			
Net investment in capital assets	1,055,053	209,823	1,264,876
Restricted, expendable for capital acquisitions	519,507	-	519,507
Unrestricted (deficit)	(3,789)	25,936	22,147
	<u>1,570,771</u>	<u>235,759</u>	<u>1,806,530</u>
Total liabilities and net position	<u>\$ 3,024,948</u>	<u>\$ 1,348,432</u>	<u>\$ 4,373,380</u>

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

	Year ended June 30, 2019		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Operating Results and Changes in Net Position			
Operating Revenues			
Net patient service revenue	\$ -	\$ 6,378,568	\$ 6,378,568
Other operating revenue	-	162,302	162,302
Total operating revenue	-	6,540,870	6,540,870
Operating Expenses			
Depreciation	328,265	117,733	445,998
Other operating expenses	2,001	6,397,094	6,399,095
Total operating expense	330,266	6,514,827	6,845,093
Operating Income (Loss)	(330,266)	26,043	(304,223)
Nonoperating Revenue (Expense)			
Sales tax revenue	492,337	-	492,337
Interest expense	(65,519)	(2,572)	(68,091)
Other revenue	987	279	1,266
Total non operating revenue (expense)	427,805	(2,293)	425,512
Capital Contributions	-	31,855	31,855
Change in Net Position	97,539	55,605	153,144
Net Position Beginning of Year	1,473,232	180,154	1,653,386
Net Position End of Year	\$ 1,570,771	\$ 235,759	\$ 1,806,530

Fairview Municipal Hospital Authority

Notes to Financial Statements

June 30, 2020 and 2019

	Year ended June 30, 2019		
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority	Total
Statement of Cash Flows			
Net Cash from (used for) Operating Activities	\$ (13,434)	\$ 150,923	\$ 137,489
Net Cash from (used for) Noncapital Financing Activities	11,433	(11,433)	-
Net Cash from (used for) Capital and Capital related Financing Activities	103,151	(35,152)	67,999
Net Cash from Investing Activities	<u>987</u>	<u>279</u>	<u>1,266</u>
Change in Cash and Cash Equivalents	102,137	104,617	206,754
Cash and Cash Equivalents, Beginning of Year	<u>337,287</u>	<u>154,170</u>	<u>491,457</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 439,424</u></u>	<u><u>\$ 258,787</u></u>	<u><u>\$ 698,211</u></u>



Supplementary Information
June 30, 2020 and 2019

Fairview Municipal Hospital Authority



Independent Auditor's Report on Supplementary Information

The Board of Trustees
Fairview Municipal Hospital Authority
Fairview, Oklahoma

We have audited the financial statements of Fairview Municipal Hospital Authority (Authority) as of and for the years ended June 30, 2020 and 2019, and our report thereon dated December 28, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 2. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of net patient service revenue, other revenue, and expenses are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Eide Bailly LLP
Oklahoma City, Oklahoma
December 28, 2020

Fairview Municipal Hospital Authority

Schedules of Net Patient Service Revenue

Years Ended June 30, 2020 and 2019

	2020		
	Inpatient	Outpatient	Total
Daily Patient Services			
Adults and Peds	\$ 632,210	\$ 9,488	\$ 641,698
Other Nursing Services			
Operating room	4,476	454,866	459,342
Central services and supply	148,431	205,558	353,989
Emergency room	18,329	1,680,496	1,698,825
	171,236	2,340,920	2,512,156
Other Professional Services			
Radiology	195,975	2,289,321	2,485,296
Laboratory	223,410	2,183,090	2,406,500
Speech therapy	2,358	13,549	15,907
Respiratory therapy	170,982	74,789	245,771
Cardiac rehabilitation	165	159,738	159,903
Pharmacy	548,508	332,361	880,869
Physical therapy	66,495	534,578	601,073
Rural Health Clinic	-	1,416,176	1,416,176
Occupational therapy	-	2,233	2,233
	1,207,893	7,005,835	8,213,728
Gross Patient Service Revenue	\$ 2,011,339	\$ 9,356,243	11,367,582
Charity care			(188,612)
Total patient service revenue			11,178,970
Less Contractual Adjustments			
Medicare and Medicaid			(2,475,090)
Other			(2,157,522)
Total contractual adjustments			(4,632,612)
Provision for Bad Debts			(611,765)
Net Patient Service Revenue			\$ 5,934,593

Fairview Municipal Hospital Authority

Schedules of Net Patient Service Revenue

Years Ended June 30, 2020 and 2019

	2019		
	Inpatient	Outpatient	Total
Daily Patient Services			
Adults and Peds	\$ 605,121	\$ 10,860	\$ 615,981
Other Nursing Services			
Operating room	-	842,209	842,209
Central services and supply	149,497	48,727	198,224
Emergency room	12,398	1,759,033	1,771,431
	161,895	2,649,969	2,811,864
Other Professional Services			
Radiology	120,567	2,381,213	2,501,780
Laboratory	108,184	2,090,169	2,198,353
Speech therapy	2,169	4,692	6,861
Respiratory therapy	172,561	69,981	242,542
Cardiac rehabilitation	825	198,469	199,294
Pharmacy	437,996	528,254	966,250
Physical therapy	45,298	924,574	969,872
Rural Health Clinic	-	1,375,962	1,375,962
Occupational therapy	213	9,085	9,298
	887,813	7,582,399	8,470,212
Gross Patient Service Revenue	\$ 1,654,829	\$ 10,243,228	11,898,057
Charity care			(49,888)
Total patient service revenue			11,848,169
Less Contractual Adjustments			
Medicare and Medicaid			(2,768,947)
Other			(2,133,129)
Total contractual adjustments			(4,902,076)
Provision for Bad Debts			(567,525)
Net Patient Service Revenue			\$ 6,378,568

Fairview Municipal Hospital Authority
Schedules of Other Revenue
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Other Revenue		
Miscellaneous	\$ 40,919	\$ 21,443
340B Revenue	94,962	129,524
Dietary meals	9,132	6,695
Rental income	5,302	4,206
Medical records	<u>746</u>	<u>434</u>
Total Other Revenue	<u><u>\$ 151,061</u></u>	<u><u>\$ 162,302</u></u>

Fairview Municipal Hospital Authority

Schedules of Expenses

Years Ended June 30, 2020 and 2019

2020				
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority		
	Expenses	Salaries	Supplies and Expenses	Total
Daily Patient Services				
Adults and Peds	\$ -	\$ 758,053	\$ 98,960	\$ 857,013
Other Nursing Services				
Operating room	-	30,369	90,692	121,061
Central services and supply	-	-	43	43
Emergency services	-	316,274	74,736	391,010
	-	346,643	165,471	512,114
Other Professional Services				
Radiology	-	127,288	123,534	250,822
Laboratory	-	258,456	392,578	651,034
Speech therapy	-	4,915	-	4,915
Respiratory therapy	-	-	15,225	15,225
Cardiac rehabilitation	-	95,707	5,423	101,130
Pharmacy	-	23,194	141,157	164,351
Physical therapy	-	189,156	21,946	211,102
Rural Health Clinic	-	1,385,654	119,121	1,504,775
Occupational therapy	-	-	900	900
	-	2,084,370	819,884	2,904,254
General Services				
Dietary	-	71,536	28,979	100,515
Medical records	-	120,919	8,264	129,183
Operation of plant	-	66,658	112,506	179,164
Housekeeping	-	72,281	14,236	86,517
	-	331,394	163,985	495,379
Administrative Services				
Administrative	2,000	592,643	764,261	1,356,904
Employee benefits	-	-	691,239	691,239
Administrative Services	2,000	592,643	1,455,500	2,048,143
Depreciation and Amortization	323,751	-	113,485	113,485
Total Expenses	\$ 325,751	\$ 4,113,103	\$ 2,817,285	\$ 6,930,388

Fairview Municipal Hospital Authority

Schedules of Expenses

Years Ended June 30, 2020 and 2019

	2019			
	Fairview Municipal Hospital Authority	Fairview Regional Medical Center Authority		
	Expenses	Salaries	Supplies and Expenses	Total
Daily Patient Services				
Adults and Peds	\$ -	\$ 775,484	\$ 93,179	\$ 868,663
Other Nursing Services				
Operating room	-	33,843	99,494	133,337
Central services and supply	-	-	7,989	7,989
Emergency services	-	166,456	363,158	529,614
	-	200,299	470,641	670,940
Other Professional Services				
Radiology	-	124,652	126,452	251,104
Laboratory	-	235,216	328,442	563,658
Speech therapy	-	4,749	-	4,749
Respiratory therapy	-	-	16,670	16,670
Cardiac rehabilitation	-	109,060	4,445	113,505
Pharmacy	-	22,909	154,431	177,340
Physical therapy	-	183,038	117,725	300,763
Rural Health Clinic	-	928,223	123,748	1,051,971
Occupational therapy	-	-	2,615	2,615
	-	1,607,847	874,528	2,482,375
General Services				
Dietary	-	70,648	30,096	100,744
Medical records	-	114,405	15,189	129,594
Operation of plant	-	62,109	116,440	178,549
Housekeeping	-	75,807	21,607	97,414
	-	322,969	183,332	506,301
Administrative Services				
Administrative	2,001	553,742	769,516	1,323,258
Employee benefits	-	-	545,557	545,557
Administrative Services	2,001	553,742	1,315,073	1,868,815
Depreciation and Amortization	328,265	-	117,733	117,733
Total Expenses	\$ 330,266	\$ 3,460,341	\$ 3,054,486	\$ 6,514,827



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Fairview Municipal Hospital Authority
Fairview, Oklahoma

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Fairview Municipal Hospital Authority (Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 28, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses, 2020-001 and 2020-002.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Responses, to be a significant deficiency, 2020-003 and 2020-004.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Authority's Responses to Findings

The Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Eide Bailly LLP
Oklahoma City, Oklahoma
December 28, 2020

Material Weaknesses In Internal Control Over Financial Reporting:

2020-001 Preparation of Financial Statements

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with standards established by the U.S. generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB).

Condition: The Authority does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes and statement of cash flows, as required by GAAP and GASB. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause: This deficiency is partly due to limited resources in the financial reporting process due to budgetary constraints. Furthermore, management has elected to have the financial statements and footnotes prepared by a party outside of management.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Authority. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting.

Auditor's Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Management Response: Management feels that committing the resources necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost but will continue evaluating on a going forward basis.

2020-002 Material Audit Adjustments

Criteria: A properly designed system of internal control over financial reporting allows entities to initiate, record, process and report financial report data reliably in accordance with generally accepted accounting principles.

Condition: During the course of our engagement, we proposed material audit adjustments to the financial statements that would not have been identified as a result of the Authority's existing internal controls, and therefore could have resulted in material misstatement of the Authority's financial statements. The adjustments related to amounts due to and from Medicare and contractual allowances .

Findings Related to Financial Statements: (continued)

Cause: The Authority did not have an effective method for estimating and reviewing the contractual allowances or the current year cost report settlement at year end.

Effect: Material audit adjustments were made to the allowance accounts and Medicare cost report settlements.

Auditor's Recommendation: We recommend the Authority update contractual percentages as rate adjustments are received and periodically review and update historical collection averages in determining the impact to contractual and bad debt allowances. In addition, we recommend management develop a methodology for estimating cost report settlements.

Management Response: Subsequent to year-end management has implemented a process to update historical collection percentages. Management will investigate the cost benefit of acquiring a reporting model to be utilized to estimate the cost report settlement.

Significant Deficiencies in Internal Control Over Financial Reporting:

2020-003 Clinic Patient Revenue Recognition

Criteria: A properly designed system of internal control over financial reporting allows entities to initiate, record, process and report financial report data reliably in the proper accounting period in accordance with generally accepted accounting principles.

Condition: During the course of our engagement, we noted that the Authority incorrectly reported clinic revenue in a period that the revenue was not earned.

Cause: The Authority was not obtaining completed charts from the clinic on a timely basis which caused a significant number of unbilled encounters which delayed billing and revenue recognition.

Effect: Inadequate review could adversely affect the organizations ability to detect and correct unintentional or intentional misstatements.

Auditor's Recommendation: We recommend the Authority review and update policies and procedures for clinic billing.

Management Response: Management is in the process of revising policies and procedures related to this condition.

Findings Related to Financial Statements: (continued)

2020-004 Segregation of Duties

Criteria: A properly designed system of internal control segregates the initiation, record keeping, and authorization of transactions.

Condition: During the course of our engagement, we noted that the Authority has limited staff completing incompatible accounting functions due to the size of the entity.

Cause: The Authority's size and budget constraints limit the number of personnel and does not facilitate the segregation of duties necessary to adequately separate procedures.

Effect: Inadequate segregation of duties could adversely affect the organizations ability to detect and correct unintentional or intentional misstatements in a timely manner by employees in the normal course of performing their assigned functions.

Auditor's Recommendation: It is the responsibility of management and those charged with governance to make the decisions whether to accept the degree of risk associated with this condition because of cost or other considerations. In addition, we recommend that the functions be reviewed to determine if additional segregation is feasible to improve efficiency and effectiveness of the financial management of the organization.

Management Response: Management accepts the risk associated with this condition and continues to monitor the assignment of duties to obtain maximum internal control under the circumstances.